

Lion Selection Group



annual report

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Lion Selection Group

Chairman's Letter to Shareholders

Dear Shareholder

We are pleased to provide you with the annual report for the year ended 31 July 2010, the first annual report since Lion Selection Group ("**LSG**" or "**the Company**") was demerged from Lion Selection Limited.

The Company has had a number of developments leveraging from opportunities in relatively volatile times, whilst protecting the future of the Company. The Company continues to focus on growth, benefiting from its relationship with Lion Manager. As such, LSG is increasing its exposure to the resources sector while the cycle is favourable for new investment, and maintains a view to selling aggressively at the top of the cycle and returning cash to shareholders. Key outcomes include:

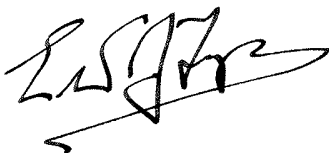
- the successful demerger, NSX listing (LGP:NSX) and completion of shareholder sale facilities;
- the sale of the Company's remaining Indophil Resources shares into the market for a \$21 million profit benefiting from a takeover offer from Zijin Mining that ultimately did not proceed;
- co-investments with Asian Lion in Mindoro Resources (\$1.0 million) and, subsequent to 31 July 2010, Sihayo Gold (\$2.0 million);
- the sale of the Company's Exco holding in August 2010, with sales of \$11.1 million compared with a cost of \$6.6 million;
- hedging the majority of LSG's US dollar commitments to African and Asian Lion; and

- increasing LSG's exposure to the Asian Lion Fund, acquiring an additional stake at a substantial discount to NTA.

The demerger of the Company as part of the restructure of Lion Selection Limited to separate its gold assets from other investments was developed to realise the value of Lion's assets by unlocking the discount to NTA. To this end the strategy has been successful, with Catalpa Resources Limited going from strength to strength and the success of a number of investees within the Company's portfolio.

With current favourable conditions for investment in the junior resources sector, LSG is in a position to consider new investment opportunities generated by Lion Manager.

I would like to thank management and staff for their efforts during the year.



Ewen W J Tyler, AM
Chairman



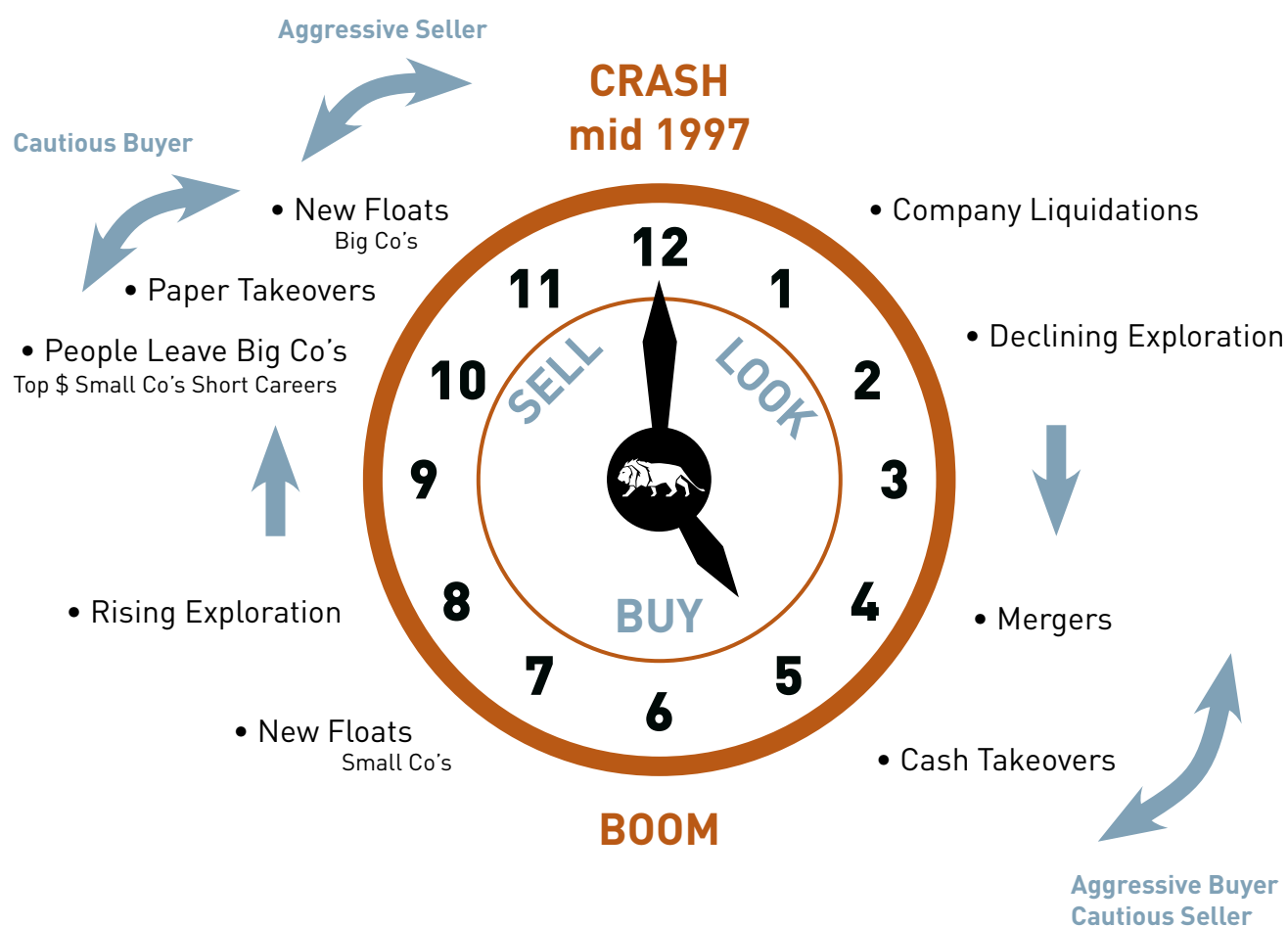
Review of Activities

In December 2009 LSG was demerged from Lion Selection Limited as part of a broader strategy to unlock some of the share price discount to NTA.

LSG's mandate was to invest in junior resource companies at the base of the resources cycle with a long term view, initially through the African Lion 3 and Asian Lion Funds managed by Lion Manager.

LSG aims to be timed to the resources cycle, increasing its exposure to the resources sector while the cycle is favourable for new investment, and selling aggressively at the top of the cycle and returning cash to shareholders.

The LSG Board's view is that the current time is ideal for investing in the junior resources sector. As the clock below signifies, the time is five o'clock, evidenced by recent cash takeover activity. Junior equity capital markets continue to be relatively depressed, although metal prices have improved and the majors have largely recovered from the global financial crisis. As increased liquidity returns to the junior sector, the market may rapidly re-rate, and LSG is seeking to have maximum exposure to any upswing.



Lion Selection Group Investment Summary

AS AT 31 JULY 2010				
	Commodity	Holding	Investment A\$m	Market Value A\$m
Direct Investments				
Copperbelt Minerals ³	DRC – Copper	2.1%	2.6	4.2
Exco Resources	Australia – Copper/Gold	8.1%	6.6	7.2
Havilah Resources	Gold/base metals	18.6%	4.3	5.3
Other – investments less than 2% of Net Assets				3.1
Total Direct Investments				19.8
African & Asian Lion				
African Lion Funds		24.8%	4.6	6.6
• Copperbelt Minerals ³	DRC – Copper	7.1%	2.2	3.5
• Kasbah Resources	Morocco – Tin	15.9%	0.3	0.6
• Other including cash committed				2.4
Asian Lion Fund		42.9%	6.7	4.2
• Asian Mineral Resources	Vietnam – Nickel/Copper	13.6%	2.0	1.8
• Mindoro Resources	Philippines – Nickel	8.6%	2.0	1.2
• Other including cash committed				1.2
Total African & Asian Lion				10.8
Committed Cash – to African Lion 3 and Asian Lion				26.5¹
Net Cash				16.8
Net Tangible Assets – before tax				73.9
NTA per share before tax				\$0.84²
NTA per share after tax				\$0.84²

1 Committed cash of US\$24m to AFL3 and Asian Lion. LSG holds US\$22 million cash as part of its hedging policy.

2 The NTA from a theoretical disposal of LSG's investment portfolio at market prices based on accounting carrying value was \$0.84 per share prior to estimated tax on gains, and \$0.84 per share after estimated tax on gains from such disposal.

3 Includes Copperbelt Minerals at a value of US\$19/share.

Share Sale Facilities

LSG successfully listed on the NSX, with a matching facility giving some shareholders the opportunity to sell their shares and other shareholders the opportunity to buy further shares. More recently, LSG provided the

opportunity for smaller shareholders to sell their shares without the need to pay brokerage through the Unmarketable Parcel Sale Facility and Voluntary Share Sale Facility. These facilities reduced the number

of LSG shareholders by 30% resulting in LSG substantially reducing costs associated with servicing smaller holdings.

Indophil Resources NL

PHILIPPINES – COPPER / GOLD

SOLD – LSG HELD 6.8%

During the year, LSG completed selling its remaining holding in Indophil at an average price of \$1.21 per share. This sale, together with the sale of a 17.83% stake in Indophil at \$1.17 per share in the prior financial year by LSG's predecessor Lion Selection Limited, has returned a multiple on investment in excess of 5 times.

Subsequent to LSG's exit, a proposed takeover by Zijin for Indophil at \$1.28 per share was terminated, and Indophil has traded at a significant discount to the offer price since then.

	2009	2010	TOTAL
Number of shares sold	70m	27m	97m
Proceeds of sale	\$82m	\$31m	\$113m
Cost of investment	\$12m	\$10m	\$22m
Gross Profit	\$70m	\$21m	\$91m

Exco Resources Limited

AUSTRALIA – COPPER / GOLD

LSG – 8.1%

Exco Resources Limited is a copper, gold and uranium exploration company with a number of projects near Cloncurry in north-western Queensland, and the White Dam Gold Project in South Australia.

Exco, together with its joint venture partner Polymetals Group, successfully completed construction and commissioning of the White Dam Gold Project producing first gold in the second quarter of 2010 ramping up to approximately 50,000 oz pa.

At the Cloncurry Copper Project in North Western Queensland, total Resources comprise 51Mt, containing 430,000 tonnes of copper and 376,000 ounces of gold. Exco continued evaluating the potential development

options for the Cloncurry Copper Project whilst continuing with exploration over the highly prospective surrounding exploration package. In December 2009, Xstrata PLC announced that it had internally approved underground development of Ernest Henry, near Exco's E1 deposit. Exco views this decision positively for possible arrangements between Exco and Xstrata, among other development options.

During August 2010, LSG completed selling its holding in Exco at an average price of \$0.42 per share. This sale has returned a multiple on investment of 1.7 times:

	2010
Number of shares sold	26.5m
Proceeds of sale	\$11.1m
Cost of investment	\$6.6m
Gross Profit	\$4.5m

Havilah Resources NL

AUSTRALIA – COPPER / GOLD / URANIUM

LSG – 18.6%

Havilah Resources NL is an Australian listed company holding a strategic ground position in the Curnamona Province in South Australia, where it has identified significant deposits of gold, copper and molybdenum through its exploration drilling. In addition, Havilah holds cornerstone equity positions in two ASX listed South Australian focused exploration companies: 45% of Curnamona Energy Ltd and 58% of Geothermal Resources Ltd.

At the Kalkaroo copper-gold project Havilah revised the Measured Resource to 62 million tonnes of 0.55% copper and 0.44g/t gold, containing 340,000 tonnes of copper and

approximately 900,000 ounces of gold. During the year Havilah completed the Kalkaroo feasibility study with its partner Glencore International which is currently evaluating the results with the view to deciding on its future participation in the project.

Havilah continues to progress its various advanced projects on several fronts, including the mine permitting process with the Department of Primary Industries and Resources of South Australia.

Additionally:

- Havilah's 45% owned uranium exploration subsidiary, Curnamona Energy Limited commenced in situ leach testing in relation to its Oban Uranium deposit.
- Havilah announced two iron ore discoveries, namely Lilydale and Maldorky, with initial drilling results indicating grades of up to 40% Fe over widths of 50 metres. Initial metallurgical testwork indicates that the ore is potentially upgradable to a high purity magnetite product.

Copperbelt Minerals

DEMOCRATIC REPUBLIC OF CONGO (DRC) – COPPER / COBALT

LSG 2.1%, AFL2 4.1%, AFL3 2.9%

Copperbelt has a 68% interest in the Deziwa Copper Project (Gécamines 32%), the third largest copper oxide deposit in the DRC. Copperbelt completed a positive Definitive Feasibility Study on the Project in January 2009 reviewing development options for a SX-EW operation, producing 80ktpa of copper.

During the year, Copperbelt Minerals entered a conditional sale and purchase agreement with Golden Champion (owned 60% by Zijin Mining Group and 40% by the China Africa Development Fund) in relation to its Democratic Republic of Congo (DRC) assets. The value of the conditional offer was approximately US\$280 million, or an equivalent of US\$26.55 per Copperbelt share.

The transaction was subject to the receipt of the consent of the applicable PRC government and regulatory authorities and DRC consents. Subsequent to year end it was announced that this corporate transaction would not proceed. The carrying value for Copperbelt in these accounts is US\$19/share, reflecting that this corporate transaction had lapsed.

On the 22nd of September 2010, LSG received further correspondence from Copperbelt Minerals that it had entered a conditional sale and purchase agreement with CADF for the sale of substantially all of its assets to CADF.

The value of the conditional offer is approximately US\$282 million, or an equivalent of approximately US\$24 per Copperbelt share (which includes various costs associated with the deal and some dilution from a proposed bridging equity issue).

Sihayo Gold Limited

INDONESIA – GOLD

LSG 2.4%, ASIAN LION 2.3%

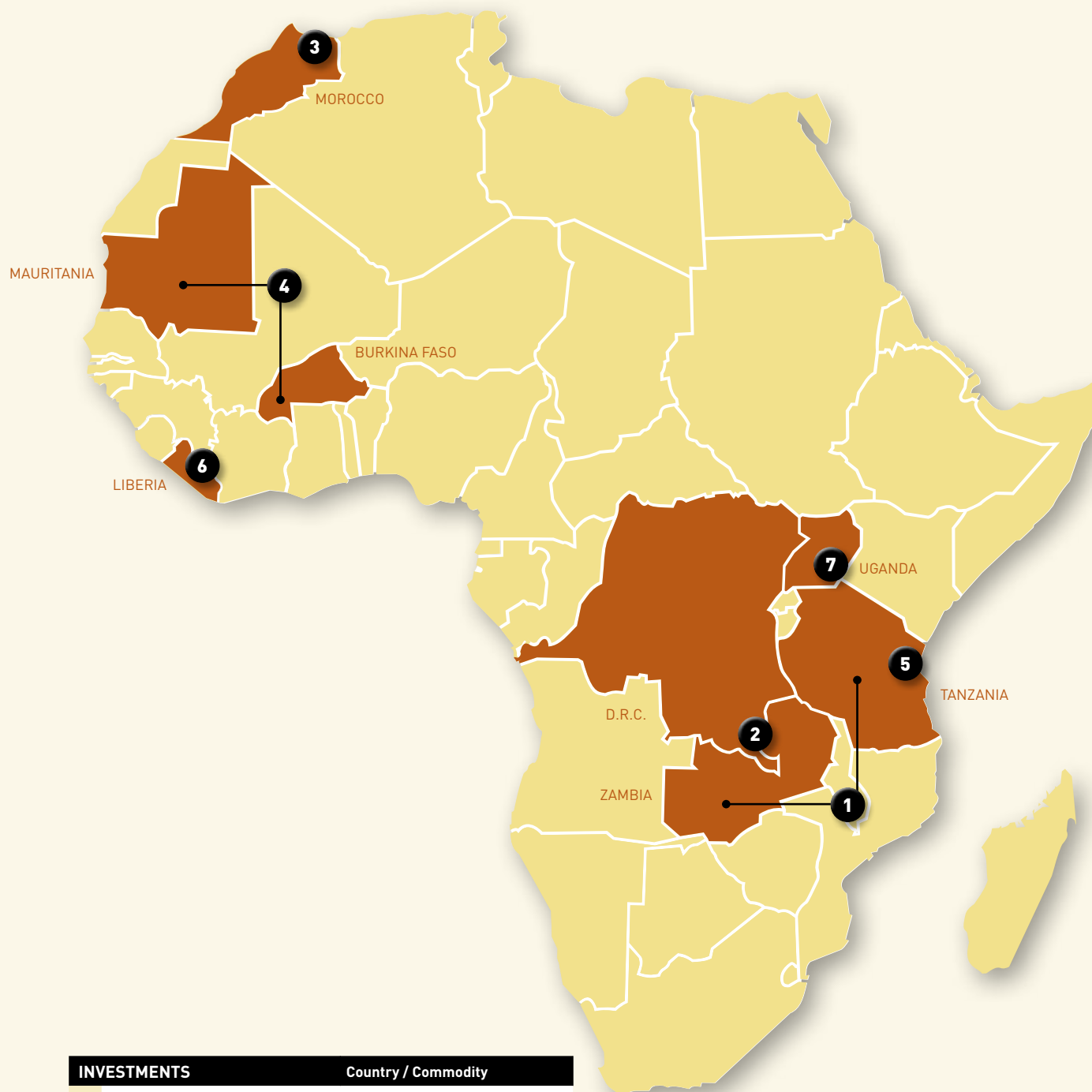
Subsequent to 31 July 2010, LSG made an investment in Sihayo Gold Limited (Sihayo). The investment of A\$2.0 million (13m shares @ 15.6cps) was a co-investment with Asian Lion.

Sihayo is a mineral exploration company with gold exploration projects in Indonesia. With recent exploration success at its Sihayo Gold Project in Sumatra and having completed the first tranche of its fully underwritten \$10.8 million capital raising, the company is focused on developing the Sihayo Gold project to an operational stage.

DRILLING AT KASBAH RESOURCES' ACHMMACH
TIN PROJECT, MOROCCO



African Lion Investments



INVESTMENTS		Country / Commodity
1	Albidon Limited	Zambia & Tanzania / Nickel
2	Copperbelt Minerals Limited	DRC / Copper & Cobalt
3	Kasbah Resources Limited	Morocco / Tin
4	Gryphon Minerals Limited	Burkina Faso & Mauritania / Gold
5	Canaco Resources Inc.	Tanzania / Gold
6	Hummingbird Resources Limited	Liberia / Gold
7	Gulf Industrials Limited	Uganda / Industrial Minerals



African Lion

	AFL – LION 29.8%	AFL2 – LION 24.9%	AFL3 – LION 23.7%
Total fund value at 31/07/10	A\$0.8 million	A\$15.5 million	A\$19.8 million
Total investment by LSG at 31/07/10	A\$11.4 million	A\$7.1 million	A\$3.8 million
Returns to LSG	A\$37.4 million	A\$10.7 million	N/A
Remaining value to LSG	\$0.2 million	A\$3.8 million	A\$4.5 million
Date of initial investment	May 1999	September 2004	July 2008

African Lion (three unlisted investment funds – AFL, AFL2 and AFL3) is managed by Lion Manager out of LSG's Melbourne office.

LSG is a shareholder in each of the three African funds and from inception, an aggregate investment by LSG in the African Lion funds of A\$22.3 million has returned A\$48.1 million with additional remaining portfolio value attributable to LSG of A\$8.5 million at 30 September 2010.

The aim of African Lion is to identify investments solely in Africa. LSG is able to co-invest and benefit from the political risk and funding advantages delivered by the large commercial and development banks which are LSG's co-shareholders in African Lion. These co-shareholders include the European Investment Bank (European Union), Proparco (French Government), CDC (British Government) and South Africa's Investec and RMB Banks.

The African Lion funds have performed strongly. The first fund, African Lion Limited (AFL), is nearing the end of its divestment phase. The second fund, African Lion 2 Limited (AFL2) is fully invested. The third African fund, AFL3, was established in June 2008 with the majority of shareholders in AFL and AFL2 continuing in AFL3 highlighting their confidence in continued success. During the year, AFL3 made several new investments, investing US\$0.5 million in Canaco, a TSXV listed company with gold exploration properties in Tanzania, A\$1.1 million in Gulf Industrials, A\$1 million in Kasbah Resources (Tin, Morocco), and US\$1 million in Hummingbird Resources, an unlisted UK-based company with gold exploration projects in Liberia.

Canaco Resources Inc.

In December 2009, AFL3 invested US\$0.5 million in TSX listed Canaco Resources Limited (Canaco) at CAD35cps, including 700,000 warrants at 45cps. Since investing, Canaco's Handeni gold project in Tanzania has recently had some exciting drill results, including drilling intercepts from Magambazi:

- 37m @ 12.45 g/t Au, including 23m @ 19.14 g/t
- 21.7m @ 6.79g/t Au, including 9.5m @ 12.75 g/t Au (MGZD0045); and
- 21.2m @ 4.80g/t Au, including 11.0m @ 7.90 g/t Au (MGZD0043).

Since 31 July 2010, AFL3 has exercised warrants over 700,000 shares, and sold the majority of its interest in Canaco for a profit of US\$3.6 million, a multiple on its initial investment of eight times in less than 12 months. LSG's share of this profit is \$0.9 million. AFL3's remaining holding in Canaco is valued at US\$2.2 million.

Number of shares sold	1.5m
Proceeds of sale	US\$4.1m
Cost of investment	US\$0.5m
Gross Profit	US\$3.6m

African Lion

Kasbah Resources Limited

AFL2 – 7.5%, AFL3 – 6.1%

Following on from AFL2's investment in Kasbah Resources, in March 2010 AFL3 purchased 14.5 million shares in Kasbah (ASX listed) at 7.5 cps, with 7.25 million options exercisable at 25 cps. This placement was alongside the International Finance Corporation (part of the World Bank) and Traxys, a major metal and concentrates marketer and trader with tin experience. During the year, Kasbah delivered some outstanding drill results at its Achmmach tin project in Morocco, including AD035 with an interval of 57m @ 1.1% tin from 325m close to historical underground workings. Additional drilling is underway to further define this tin project.

Hummingbird Resources Limited

AFL3 – 3.6%

In March 2010, AFL3 invested US\$1 million in unlisted Hummingbird Resources Limited (Hummingbird) at US\$35 per share. Hummingbird is the largest holder of mineral exploration licences in the eastern part of Liberia, an unexplored region of Birimian age geology – a province that is known to be highly prospective for the discovery of large scale gold (and associated mineral) deposits. Hummingbird has sought to capitalise on this prospect through systematic and extensive exploration over the last four years.

As well as strong Liberian experience, Hummingbird's board has recently been strengthened by the appointment of ex Goldfields Chief Ian Cockerill as Chairman. Hummingbird's current strategy is to list on the Alternative Investment Market (a sub-market of the London Stock Exchange) in late 2010 or early 2011.

Gulf Industrials Limited

AFL3 – 17.3%

In May 2010, AFL3 invested A\$1.1 million in ASX listed Gulf Industrials Limited (Gulf) at 2.1 cps. Gulf is an African focused industrial mineral developer with exploration and development assets in Uganda, Kenya and Madagascar. Gulf's primary project is the East African Vermiculite Project (EAV) in Uganda which was acquired in May 2009 from Rio Tinto. The EAV commenced production in May 2010 and is expected to continue to ramp up production. Vermiculite is an industrial mineral used in insulation and horticulture.





Asian Lion

Asian Lion Limited (Asian Lion), formed in July 2006, is a private equity fund that provides capital for development projects, feasibility studies and advanced exploration in junior mining companies active in Asia.

Asian Lion is modelled on the successful African Lion Funds, in which LSG has also invested. The fund is managed by the Lion Manager. The capital committed to the Asian Lion fund by its shareholders is US\$34.2 million. In September 2010, LSG purchased an additional stake in Asian Lion from another shareholder for US\$1.2 million (a discount of \$0.5 million on the underlying asset value), along with an incremental commitment of US\$3.8 million. Following completion of this purchase, LSG's interest in Asian Lion is 63% with outstanding commitments of US\$12.1 million. At 30 September 2010, LSG's US\$8.1 million investment in Asian Lion had an NTA of US\$8.2 million.

Mindoro Resources Limited

LSG – 4.7%, Asian Lion – 7.8%

During the year Asian Lion and LSG co-invested \$1.0 million each in Mindoro Resources, a TSXV-listed company with nickel laterite and gold projects in the Philippines. Recent infill drilling at the Agata nickel laterite project has increased the Resources to 32.5mt @ 1.04% Ni. A scoping study for a major acid leach nickel project is due for completion in October 2010.

Howard Walker from LSG has been appointed as Vice Chairman to the Mindoro Board. In addition, Jon Dugdale, formerly of Asian Lion, has been appointed President and CEO of Mindoro.

Asian Mineral Resources Limited

Asian Lion – 13.6%

During the year Asian Lion made a \$2.3 million follow-on investment in Asian Mineral Resources (AMR), a TSXV-listed company with a nickel sulphide project in Vietnam. The project development was approximately 65% complete when work was suspended during the global financial crisis. The company announced increases in Resources and Reserves in August 2010 and is planning to commence work once funding has been secured.

Kentor Gold Limited

Asian Lion – 1.5%

In July/August 2010, Asian Lion made an initial investment of A\$0.7 million in Kentor Gold Limited, an ASX listed company with gold-copper projects

in the Kyrgyz Republic. Kentor has completed a definitive feasibility study and is moving forward to develop the Andash project with a Resource (Measured and Indicated) of 19.2Mt @ 1.1g/t Au for 680Koz and 0.4% Cu for 77Kt Cu.

Erdene Resources Limited

Asian Lion – 3.7%

In April 2010, Asian Lion made an investment of US\$1.0 million in Erdene Resource Development Corporation Limited (Erdene), a TSX listed company.

Erdene has a number of projects, including coal joint ventures with Xstrata Coal in Mongolia and Canada, and a molybdenum project in Mongolia. Erdene has an early mover advantage in Mongolia, having been exploring there since 2002. In Mongolia, the company is exploring for high quality thermal and metallurgical coal in joint venture with Xstrata (75% Xstrata/25% Erdene), with exploration being funded through to feasibility by Xstrata.

The Canadian Donkin Coal project is also in joint venture with Xstrata Coal (75% Xstrata/25% Erdene), and Xstrata Coal has indicated that it intends to develop the Donkin Coal Project based on sales into the coking coal market. Erdene's interest in the project is funded through to 2011.

Sihayo Gold Limited

LSG – 2.4%, Asian Lion – 2.3%

Subsequent to 31 July 2010, Asian Lion made an investment in Sihayo Gold Limited (a co-investment with LSG).

Asian Lion Investments



INVESTMENTS		Country / Commodity
1	Asian Mineral Resources Limited	Vietnam / Nickel
2	Golden Phoenix Resources Limited	China / Gold
3	Mindoro Resources Limited	Philippines / Nickel & Gold
4	Erdene Resource Development Corporation	Mongolia / Coal
5	Kentor Gold Limited	Kyrgyzstan / Gold & Copper
6	Sihayo Gold Limited	Indonesia / Gold



Corporate Governance Statement

The Board of Directors of LSG is committed to high standards of corporate governance. This statement summarises the Company's corporate governance framework. Full documentation may be viewed on LSG's website, www.lionselection.com.au.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfill its broader ethical and statutory obligations, and ensure that LSG operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

Responsibility for the administration and functioning of LSG is delegated by the Board to the Managing Director and the Executive Director. Through monitoring the performance of these parties, the Board ensures that LSG is appropriately administered and managed.

The Board guides strategic planning and ensures it adheres to the interests and expectations of LSG's shareholders, manages risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Composition of the Board

It is a policy of LSG that the Board comprises individuals with a range of knowledge, skills and experience which are appropriate to its objectives.

LSG's Constitution provides that the number of directors is to be determined by the Board but shall not be less than three. Due to the

small size of LSG, the Board may not be comprised of a majority of non executive directors, although the Chairman is a non executive director. At present, the company has three directors – one non executive director (the Chairman) and two executive directors (including the Managing Director).

Independence

The independent and objective judgment of LSG's directors is of paramount importance to the effective operation of the Board and the consolidated entity.

Independence is defined for the purposes of the director as he/she being independent of any business relations, whether managerial or otherwise, with LSG or its subsidiaries or its actual or potential investments which might interfere with their ability to make sound, unfettered, objective judgments, and act in the best interest of LSG and its shareholders.

The directors' independence is regularly assessed by the Board.

Relationship with African Lion Limited (AFL), African Lion 2 Limited (AFL2), African Lion 3 Limited (AFL3) and Asian Lion Limited (ALF)

Under the terms of the Shareholder Agreements for AFL, AFL2, AFL3 and ALF, all shareholders in certain circumstances, will refer investments contemplated under the investment policy to the fund. Shareholders have the right to co-invest with the fund in certain circumstances.

The Manager (Lion Manager Pty Ltd) has been appointed by the shareholders of these funds to implement its investment strategy and manage their investments. This includes all steps of the investment selection process and the making of recommendations to the Investment Committee of each fund.

Management Agreements have been established to formalise the relationship between the funds and the Manager.

The Manager, under these agreements, undertakes to act as investment manager for the funds. The Manager is at liberty to engage specialists and consultants as appropriate to assist in the assessment process and provides a regular flow of information to LSG's directors.

However, the investment committee including LSG's representative retains the power to make the final investment decision on the basis of this information and advice. This retention of final investment decisions allows the investment committee to effectively review the function and proficiency of the Manager and of the investment selection processes.

Corporate Governance

The Board will at least annually review LSG's corporate governance policies and practices and seek assurance that the policies and practices are being observed, and that subject to size constraints, they are consistent with contents and format of the corporate governance statement required by the Australian Stock Exchange (ASX) and National Stock Exchange of Australia (NSX).

Audit Committee

LSG recognises that Recommendation 4.2, 4.3 & 4.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of an Audit Committee and associated Charter. However, in view of the small size of LSG's Board, the Board in its entirety acts, effectively, as the Audit Committee, and there is no need to further subdivide it. As such, a Audit Committee is an unnecessary measure for LSG.

Corporate Governance Statement

Nomination Committee

LSG recognises that Recommendation 2.4 of the Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" suggests the establishment of a Nomination Committee and associated Charter. However, in view of the small size of LSG's Board, the Board in its entirety acts, effectively, as a Nominations Committee, and there is no need to further subdivide it. As such, a Nominations Committee is an unnecessary measure for LSG.

Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience and, after assessment, appoints the most suitable candidate.

LSG's Constitution requires that directors appointed by the Board submit themselves for re-election at the first meeting of shareholders following their appointment. Whilst directors are not appointed for a fixed term, under the Constitution, one-third of the directors (excluding the Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders.

Directors' Access to Professional Advice

In the discharge of their duties, directors have the right to seek independent professional advice at the expense of the company subject to the prior approval of the Chairman.

Compensation Arrangements and Remuneration Committee

The remuneration of the directors of the company is reviewed by the full Board.

LSG's Constitution stipulates that the aggregate remuneration available for division amongst the non executive directors is determined by the shareholders in general meeting. The aggregate was initially fixed at \$100,000. This amount, or some part of it, is divided among the non executive directors as determined by the Board. At present the aggregate annual remuneration paid to non executive directors is \$52,000, including \$12,000 retainer for consultancy.

Performance Evaluation

The small scale of the Board and the exceptional nature of the company's activities make the formal establishment of a performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. The Board will annually meet to assess performance of management, directors and the Board as a whole.

Business Risks

The Board aims to reduce investment risk through a policy of diversification of investments geographically and avoid over dependence on a single commodity, investee company or country.

Risks associated with the exploration and mining industry include geological, technical, political, title and commodity pricing risks.

The main areas of business risk to the company arise from:

- failure of an investee company due to one or a number of the above causes;
- downturn in the stock market; and
- changes to the law – corporations/ taxation legislation.

Individual investments each have their own risks which relate to the mining industry generally. These risks are regularly considered by the LSG Board.

The Managing Director also provides monthly status reports to the Board which identifies potential areas of business risk arising from changes in the technical, legal, financial or economic circumstances of any investee company or its operating environment.

Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of both the company and the Manager.

The directors of LSG, all company employees, directors and employees of the Manager, undertake to preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. These individuals are mindful and respectful of relevant policies and responsibilities.

Company practices are stringently monitored by the Board, while the Board itself is subject to the principles of its charter, which requires a high standard of independence, objectivity and openness in its dealings and relationship with shareholders and the management team. The Shareholder Communications Strategy, the Securities Trading Policy, and the Continuous Disclosure Policy collectively form a solid ethical foundation for company practices.

Securities Trading Policy

LSG has an established Securities Trading Policy. This policy is summarised below.

As a result of the nature of the business of LSG (together with any subsidiaries, referred to as the Lion Group), directors, officers and other employees of the Lion Group will be in possession of information regarding a wide range of small

Corporate Governance Statement

and medium sized exploration and mineral production companies. From time to time some of this information may be classified as “inside” information. They may also be aware of potential transactions between small and medium sized exploration companies and other companies.

LSG has adopted a policy and procedure designed to prevent the possibility of any actual or perceived conflict of interest between the interests of the Lion Group and its directors, officers and employees. They are also designed to prevent any insider trading by any director, officer or employee of LSG in the securities of LSG, investee companies and other companies where they may be in possession of insider information.

Supervisory and Compliance Procedures

LSG has procedures to ensure all directors, officers and employees of LSG are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, officer and employee is reviewed from time to time.

Compliance procedures are in place which restrict trading by directors, officers and employees in securities of small and medium sized exploration and mining companies, and companies where a potential conflict of interest may occur.

Continuous Disclosure Policy

LSG is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of LSG are fully compliant with the NSX listing rules, including in particular those regarding continuous disclosure.

LSG will immediately notify the market of any information concerning itself which is not subject to the exceptions in the NSX Listing Rules and which a reasonable person would expect to have a material effect on the price or value of LSG’s securities.

The Managing Director and the Company Secretary of LSG (Management) is responsible for the regular review of LSG’s affairs to ensure that any relevant information is promptly announced to the NSX. Management is well aware of its legal responsibilities regarding continuous disclosure under the NSX Listing Rules. Management ensures that the processes governing the review and release of material information ensures compliance with these obligations, and that information is released in an efficient and consistent fashion. Where there is any disagreement or ambiguity as to the release of particular information, members of management will consult the full Board. Events such as trading halts, if they occur, will be arranged by the Management.

Release of material information to the NSX is conducted by LSG’s Company Secretary. Where the NSX contacts LSG, for example in the event of unusual share price fluctuations, communications are managed by the Company Secretary.

The Company expects investee companies to adopt and adhere to the same standards of continuous disclosures.

LSG’s Other Corporate Governance Policies

Local Indigenous Communities

LSG has a policy that developments of Investees are not exploitative of local and indigenous communities and to assist such communities through symbiotic project development. This assistance is likely to focus on health, education and employment of indigenous people near to Investee companies’ development projects.

Environment

LSG has a policy that environmental impact of developments is in line with country/international standards and does not adversely impact local communities geology/economy.

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Lion Selection Group

Director's Report

The Directors of Lion Selection Group Limited ("LSG" or "the Company") submit their report on the operations of the Company for the end of the financial year ended 31 July 2010.

On 10 December 2008 LSG obtained control of one of its investees, Catalpa Resources Limited ("Catalpa"). LSG ceased to control Catalpa on 2 April 2009 following the issue of shares to parties other than LSG, and on 30 June 2009 transferred its interests to a related party, AuSelect Limited. Accordingly the comparative figures for the year to 31 July 2009 in these financial statements include consolidated results for Catalpa from the date of acquisition through to 2 April 2009. LSG's investment in Catalpa up until 10 December 2008, and from 2 April 2009 to 30 June 2009 has been classified as a financial asset at fair value through profit and loss and as such has been "marked to market" and recognised

in the income statement for 2009 comparative figures in accordance with LSG's investment accounting policy.

At the date of this report, LSG had 88,029,353 fully paid ordinary shares on issue.

Directors

The following persons were directors of Lion Selection Group Limited during the financial year and up to the date of this report:

- Ewen Tyler (Non-Executive Chairman)
- Craig Smyth (Managing Director)
- Howard Walker (Executive Director)

Principal Activities

During the financial year the principal continuing activities of the Company were investment in mining and exploration companies.

Results and Review of Operations

This financial report is prepared using the Australian equivalents to International Financial Reporting Standards ("AIFRS"), and therefore includes the result of the "mark-to-market" of the Company's investment portfolio in both the Statement of Comprehensive Income and the Statement of Financial Performance. LSG's directors believe it is important for shareholders that its financial statements and this report explain both the effect of realisation of its investments and mark to market of its investments on its results for the year.

The Company's gain before tax for the year was \$21.4 million (2009 Loss: \$77.0 million). This includes realised profit from sale of investments and unrealised gains from mark to market of its investment portfolio as set out in the table below.

	PARENT 2010 \$'000	CONSOLIDATED 2009 \$'000	PARENT 2009 \$'000
Gains/(Loss) attributable to movement in fair value of investments			
Mark to Market adjustment for period – investments realised during period	18,044	23,705	22,556
Mark to Market adjustment for period – investments held at end of period	(1,745)	(7,989)	(7,989)
Gains/(Loss) attributable to movement in fair value of investments	16,299	15,716	14,567
Results of Investments Realised During Period			
Sales Proceeds	31,789	136,863	136,863
Historical Cost of sales	(12,445)	(59,448)	(60,598)
Gross profit measured at historical cost	19,344	77,415	76,265
Represented by:			
Mark to Market recognised in prior periods	1,300	53,709	53,706
Mark to Market recognised in current period	18,044	23,706	22,556
	19,344	77,415	76,265

Director's Report

Based on historical cost, the realised profit for the Company of \$19.3 million is a result of the profitable sale of the remainder of LSG's investment in Indophil Resources NL (profit \$21.2 million) reduced by losses incurred on the sale of LSG's shareholding in Tasman Goldfields Ltd (loss \$1.8 million).

The unrealised mark to market loss of \$1.7 million in the portfolio value includes

- Increase of \$3.3 million with respect of LSG's direct and indirect holdings in Copperbelt Minerals following completion of the company's definitive feasibility study and corporate interest. During the year a corporate transaction was announced which subsequently didn't proceed. See subsequent events for further detail.
- A decrease in the value of the African Lion 2 fund of \$2.0 million as a result of payment of dividends following the sale of Mineral Deposits and Sphere Investments;
- A decrease in the value of the African Lion fund of \$1.6 million following the payment of a dividend to shareholders derived from the sale of the fund's investment in Sphere Investments and Albidon;
- An increase in the value of Exco Resources of \$1.1 million reflecting the successful commissioning of the White Dam Gold Mine;
- An increase in the value of the African Lion 3 fund of \$0.8 million reflecting an increase in the value of its underlying investments in Canaco Resources;

Profit after tax attributable to members was \$22.7 million and profit per share of 25.8c.

During the year the company made new or follow on investments totalling \$4.0 million as follows:

Purchases:

- African and Asian Lion funds \$2.9 million
- Mindoro Resources \$1.0 million
- Other Investments \$0.1 million

Sales:

- Indophil Resources \$31.5 million
- Other Investments \$0.2 million

At 31 July 2010 the Company held investments valued at \$30.6 million (31 July 2009: \$42.1 million), and cash of \$43.3 million (31 July 2009: \$9.6 million). The significant increase in cash is primarily a result of the sale of LSG's remaining Indophil holding.

Dividends

No dividend was declared or paid during the year. During the prior period, LSG declared an unfranked dividend to members of 6.49 cents per share (totalling \$65.0 million) which was paid to Lion Selection Ltd (its ultimate parent entity at the time) on 30 November 2008.

Compliance with Environmental Regulations

LSG has a policy that environmental impacts of developments of investees are in line with country/international standards and do not adversely impact local communities.

LSG has not been notified by any investee of any environmental breach by any government or other agency, and is not aware of any such breach.

Significant Changes in the State of Affairs

There were no significant changes in the State of Affairs of the Company.

Significant Events after Balance Date

One of LSG's investees, Copperbelt Minerals entered into a conditional sale and purchase agreement with Golden Champion (owned 60% by Zijin Mining Group ("Zijin") and 40% by

the China Africa Development Fund ("CADF") in relation to its Democratic Republic of Congo (DRC) assets on 7 May 2010. The value of the conditional offer was approximately US\$280M, or an equivalent of US\$26.55 per Copperbelt share. The transaction was subject to the receipt of the consent of the applicable PRC government and regulatory authorities and DRC consents. Subsequent to year end it was announced that this corporate transaction would not proceed. The carrying value for Copperbelt in these accounts is US\$19/share, reflecting that this corporate transaction had lapsed. On the 22nd of September 2010, LSG received further correspondence from Copperbelt Minerals that it had entered a conditional sale and purchase agreement with CADF for the sale of substantially all of its assets to CADF. The value of the conditional offer is approximately US\$282.0m, or an equivalent of approximately US\$24.00 per Copperbelt share.

In August 2010, LSG offered to purchase an additional stake in Asian Lion from another shareholder for US\$1.2m (a discount of \$0.5m on the underlying asset value), along with an incremental commitment of US\$3.8m. Following completion of this purchase, LSG's interest in Asian Lion is 63% with outstanding commitments of US\$12.1m.

During August 2010, LSG sold its holding in Exco for \$11.0m at an average price of \$0.42 per share.

Other than these items, there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

Director's Report

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Likely Developments and Future Results

The Company's future operating results will depend on the results of its investments. The Company's ability to sustain profits is dependent on future sales of investments which in turn are dependent on market opportunities and the performance of the Company's various investments, which are difficult to predict.

There are a wide variety of risks associated with the mining and exploration industry including market conditions, exploration, operational and political risk, tenure of tenements, liquidity and native title issues. Because of the vagaries of the mining and exploration industry and the long term nature of most of LSG's investments, the directors are unable to predict future results.

Corporate Governance Statement

In recognising the need for the highest standards of corporate

behaviour and accountability, the directors of LSG support the applicable principles of good corporate governance. The Company's corporate governance statement is contained in the annual report.

Employees

At 31 July 2010 there were 2 full time equivalent employees of the Company. This compares to 4 full time equivalent employees at 31 July 2009.

Remuneration Report

All disclosures in this remuneration report have been audited. This remuneration report outlines the director and executive remuneration arrangements of the Company as required by section 308 (3C) of the *Corporations Act 2001*. For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director, and includes the executive in the Company receiving the highest remuneration.

Emoluments of Board members and other key management

personnel are determined on the basis of market conditions and the level of responsibility associated with their position. The emoluments are not specifically related to company performance. The remuneration policy in relation to directors is determined by the full Board. Remuneration of other key management personnel is determined by the directors of the Company. The remuneration policy of the Company with respect to directors and other key management personnel provides for Director's & Officer's (D&O) Insurance cover, but does not provide bonuses, options, shares, loans or any other non-monetary benefits. The company has an incentive scheme for key management personnel that is subject to the approval of shareholders – refer to incentive scheme arrangements below.

Details of remuneration paid/payable to directors and the other key management personnel of the Company are detailed in the table below. The benefits provided to Key Management Personnel are fixed with no at-risk components of remuneration.

2010		SHORT TERM BENEFITS SALARIES/FEES	ALLOCATION OF D&O INSURANCE PREMIUM	POST- EMPLOYMENT SUPERANNUATION (B)	TOTAL
NAME	NOTES	\$	\$	\$	\$
Directors					
E W J Tyler	[a]	68,766	11,832	-	80,598
C K Smyth		179,583	11,832	25,000	216,415
H G Walker		63,889	11,832	50,000	125,721
Other Key Management Personnel					
J M Rose		126,999	11,832	8,220	147,051
Total		439,237	47,328	83,220	569,785

Director's Report

2009		SHORT TERM BENEFITS SALARIES/FEES*	ALLOCATION OF D&O INSURANCE PREMIUM*	POST- EMPLOYMENT SUPERANNUATION* (b)	TOTAL
NAME	NOTES	\$	\$	\$	\$
Directors					
E W J Tyler	(a,c)	118,151	14,561	-	132,712
C K Smyth	(c)	122,856	14,561	49,644	187,061
H G Walker	(c)	-	-	-	-
J Rose	(c)	-	-	-	-
R A Widdup	(b)	-	14,561	-	14,561
C Melloy	(b)	-	-	-	-
M Brook	(b)	-	-	-	-
P Maloney	(b)	-	14,561	-	14,561
Total		241,007	58,244	49,644	348,895

* includes remuneration paid by LSG on behalf of LST.

(a) Includes fees totalling \$13,151 paid to EWJ Tyler & Associates in which EWJ Tyler is a principal, as a retainer for consulting services.

(b) Mr Widdup, Mr Maloney, Mr Melloy and Mr Brook resigned 31 July 2009.

(c) Mr Tyler, Mr Smyth and Mr Walker were appointed as directors 16 July 2009. Ms Rose was appointed company secretary on 16 July 2009.

Incentive Scheme Arrangements

The company has an incentive scheme for key management personnel that shareholders will be asked to approve at LSG's forthcoming Annual General Meeting. The incentive arrangements apply to the aggregate of realised LSG direct investments in each year where the sale proceeds exceed a threshold. The threshold for each investment is based on its value at the time LSG was demerged from Lion Selection

Limited aggregated with the cost of further purchases, and escalated at 8% p.a. Any deficiency in a prior year is deducted from the calculation in the following year. No incentive is payable with respect to LSG's investments in African and Asian Lion. Further detail will be provided in the Notice of Annual General Meeting.

No incentive has accrued in the period to 31 July 2010.

Key Management Personnel Shareholdings

At the date of this report the direct and indirect interests of the directors and other key management personnel in the ordinary shares and options of Lion Selection Group Ltd are detailed below. No shares or options were issued as remuneration. There are no options on issue.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

NAME	BALANCE 1 AUGUST 2009	SHARES ISSUED AS REMUNERATION	NET CHANGE OTHER	CLOSING BALANCE 31 JULY 2010
Directors				
E W J Tyler	-	-	50,000	50,000
C K Smyth	-	-	110,000	110,000
H G Walker	-	-	275,352	275,352
Other Key Management Personnel				
J M Rose	-	-	58,000	58,000
Total	-	-	493,352	493,352

Director's Report

Information on Directors

Ewen W J Tyler AM BSc (Hons) FAusIMM FAIM MIMMM CEng (Non Executive Chairman)

Ewen Tyler, aged 82, completed his degree in Geology at the University of Western Australia in 1949 and was involved in exploration and mining in Africa during the 1950s. In the following decade he worked in mining finance and exploration in London and on returning to Australia in 1969 initiated the exploration which led to the discovery of the Argyle Diamond Mine.

Ewen was a founding director of Ashton Mining Limited and remained an executive director until his retirement in 1990.

Craig Smyth BCA (Acctg), M App Fin, CA (Managing Director)

Craig Smyth, aged 38, graduated from the Victoria University of Wellington with a Bachelor of Commerce and Administration, and has completed his Master of Applied Finance at the University of Melbourne. Craig's financial background includes Coopers and Lybrand, Credit Suisse First Boston (London) and ANZ Investment Bank. Craig is a member of the Institute of Chartered Accountants of Australia.

Craig joined LSG as the Financial Controller in March 2005 and was appointed Company Secretary in August 2007.

Howard Walker BSc, ARSM, MAusIMM (Executive Director)

Howard Walker graduated as a Mining Engineer from the Royal School of Mines in London in 1975. He worked for General Mining in South Africa for five years, prior to joining Mount Isa Mines in Queensland as a mine planning engineer in the copper and lead/zinc areas. In 1983, Howard joined stockbroker J B Were & Son as precious metals analyst, specialising in the Australian gold sector. He became an associate director of the firm in 1986, and was appointed Manager of the Resources Research team in 1987.

Howard joined J B Were Corporate Services Limited as a director in 1990 and was closely involved in numerous capital raisings for resource companies such as BHP Gold, Asarco Australia, Plutonic Resources Limited, Acacia Resources Limited, Lihir Gold Limited, North Flinders Mines Limited and Homestake Gold of Australia. Howard was a director of Highlake Resources NL from 1996 to 1997.

Howard was an executive director of Lion Manager from 1997 before retiring in 2007, and is Deputy Chairman of Mindoro Resources Limited, Executive Chairman of Altitude Investments which is a shareholder in Asian Lion, and was a non-executive director of Copperbelt Minerals Limited until June 2010.

Other Key Management Personnel

Jane Rose (Investor Relations Manager & Company Secretary)

Jane Rose commenced work in 1983 as a legal administrative assistant. During the following 12 years, Jane held senior administrative positions with Phillips Fox and Corrs Chambers Westgarth in Melbourne and Nabarro Nathanson in London.

On returning to Australia, Jane worked as Executive Assistant to the Managing Director of Acacia Resources Limited and AngloGold Ashanti Limited where she was also responsible for the management of various corporate initiatives, including marketing and coordination of investor relations activities. From 2002 to 2006, Jane worked for several LSG investees, including MPI Mines Ltd, Leviathan Resources and Indophil Resources. Jane worked with LSG in early 2007 to assist with the merger, and she subsequently joined the company in July 2007 as Corporate Relations Manager.

In November 2008 Jane was appointed Investor Relations Manager and Company Secretary.

Directors' Meetings

During the year and up until the date of this report, the Company held five directors' meetings. The names of the directors are set out above.

The table below reflects attendances of the directors at meetings of LSG's Board.

BOARD OF DIRECTORS		
	ATTENDED	MAX. POSSIBLE ATTENDED
E W J Tyler	5	5
C K Smyth	5	5
H G Walker	5	5

Director's Report

Directors' Benefits

Since the end of the preceding financial year, no director has received or become entitled to receive a benefit, other than benefits disclosed in this report as emoluments or the fixed salary of a full time employee of the Company or a related body corporate, by reason of a contract made by the Company or related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest.

Indemnification of Directors, Officers and Auditors

An indemnity agreement has been entered into between LSG and each of the Company's directors named earlier in this report and with the Company Secretary. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

LSG has paid an insurance premium of \$240,159 in respect of a contract insuring each of the directors, previous directors of the Company, and other key management personnel, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Auditor Independence

We have obtained an independence declaration from our auditors, PricewaterhouseCoopers, as required under section 307 of the *Corporations Act 2001*. A copy can be found on page 24 of this financial report.

Non-Audit Services

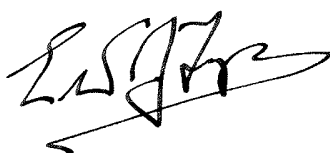
Fees for non-audit services were paid/payable to the external auditors during the year ended 31 July 2010 amounted to \$248,305 with respect

to assurance related transaction support. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding of Amounts

The Company is of a kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that class order, amounts in the financial report and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of the directors.



E W J Tyler
Chairman



C K Smyth
Managing Director

Melbourne
30 September 2010

PricewaterhouseCoopers
ABN 52 780 433 757

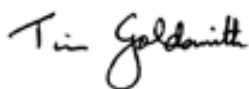
Freshwater Place
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SOUTHBANK VIC 3006
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Auditor's Independence Declaration

As lead auditor for the audit of Lion Selection Group Limited for the year ended 31 July 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lion Selection Group Limited during the period.



Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
30 September 2010

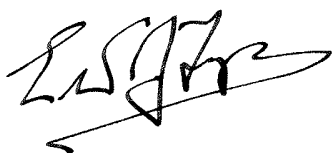
Lion Selection Group Limited

Director's Declaration

In accordance with a resolution of the directors of Lion Selection Group Limited, we declare that:

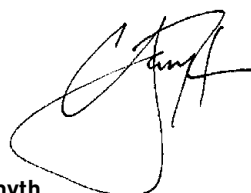
1. In the opinion of the directors:
 - (a) the financial statements, notes set out on pages 26 to 47 are in accordance with the Corporations Act 2001 and other mandatory reporting requirements, including:
 - (i) complying with the Accounting Standards, the Corporations Regulations 2010 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company's position as at 31 July 2010 and its performance for the year ended on that date; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 July 2010.

On behalf of the Board



E W J Tyler

Chairman



C K Smyth

Managing Director

Melbourne

Date: 30 September 2010

Financial Statements

Statement of Comprehensive Income for the Year ended 31 July 2010

		Parent	Consolidated	Parent
	Notes	2010 \$'000	2009 \$'000	2009 \$'000
Gain /(loss) attributable to movement in fair value	4	16,299	15,716	14,567
Dividend Income		3,634	-	-
Other revenue	4	1,072	3,614	3,578
Debt forgiveness	4	5,949	(90,911)	(90,911)
Management fees		(1,404)	(1,402)	(1,402)
Employee benefits		(727)	(1,101)	(756)
Other expenses	4	(3,396)	(4,039)	(2,108)
Profit/(loss) before income tax		21,427	(78,123)	(77,032)
Income tax (expense)/benefit	5	1,249	(2,448)	(2,448)
Net profit/(loss) after tax		22,676	(80,571)	(79,480)
Other Comprehensive Income		-	-	-
Other Comprehensive Income (net of tax)		-	-	-
Total Comprehensive Income for the year		22,676	(80,571)	(79,480)
Attributable to:				
Non-controlling interest		-	(1,091)	-
Members		22,676	(79,480)	(79,480)
		Cents per share	Cents per share	Cents per share
Basic earnings per share		25.8	(90.3)	(90.3)
Diluted earnings per share		25.8	(90.3)	(90.3)

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

No consolidated results are shown for the year ended 31 July 2010 as the parent did not control any entities at any time during this year.

Financial Statements

Statement of Financial Position as at 31 July 2010

	Parent	
	2010 \$'000	2009 \$'000
Current Assets		
Cash and cash equivalents	43,327	9,625
Trade and other Receivables	72	902
Total Current Assets	43,399	10,527
Non-Current Assets		
Financial Assets	30,603	42,135
Deferred tax assets	748	150
Total Non-Current Assets	31,351	42,285
Total Assets	74,750	52,812
Current Liabilities		
Trade and Other Payables	185	683
Intercompany Liabilities	-	380
Provisions	13	16
Total Current Liabilities	198	1,079
Non-Current Liabilities		
Deferred tax liabilities	144	1
Total Non Current Liabilities	144	1
Total Liabilities	342	1,080
Net Assets	74,408	51,732
Equity		
Contributed equity	100,109	100,109
Retained profits/(accumulated losses)	(25,701)	(48,377)
Total Equity	74,408	51,732

The above statement of financial position should be read in conjunction with the accompanying notes.

A consolidated statement of financial position is not presented as the parent did not control any entities as at 31 July 2009 or 31 July 2010.

Financial Statements

Statement of Cash Flows for the Year ended 31 July 2010

	Parent	Consolidated	Parent
	2010 \$'000	2009 \$'000	2009 \$'000
Cash flows from operating activities			
Dividends Received	3,634	-	-
Interest received	596	3,699	3,699
Payments to suppliers and employees (including GST)	(5,131)	(5,143)	(4,038)
<i>Net operating cash flows</i>	<i>(901)</i>	<i>(1,444)</i>	<i>(339)</i>
Cash flows from investing activities			
Payments for investments	(3,958)	(19,353)	(19,353)
Net cash acquired on gain of control of Catalpa	-	3,935	-
Net cash disposed on loss of control of Catalpa	-	(2,830)	-
Proceeds from investment sales	31,789	77,357	77,357
<i>Net investing cash flows</i>	<i>27,831</i>	<i>59,109</i>	<i>58,004</i>
Cash flows from financing activities			
Receipt from related parties	6,976	-	-
Payments for related parties	(615)	(44,296)	(44,296)
Dividends paid to related parties	-	(65,000)	(65,000)
Exchange rate variations on foreign cash balances	411	-	-
<i>Net financing cash flows</i>	<i>6,772</i>	<i>(109,296)</i>	<i>(109,296)</i>
Net increase/(decrease) in cash and cash equivalents held	33,702	(51,631)	(51,631)
Cash and cash equivalents at beginning of financial period	9,625	61,256	61,256
Cash and cash equivalents at end of financial period	43,327	9,625	9,625

The above statements of cash flows should be read in conjunction with the accompanying notes.

No consolidated results are shown for the year ended 31 July 2010 as the parent did not control any entities at any time during this year.

Financial Statements

Statement of Changes in Equity for the Year ended 31 July 2010

PARENT	Issued Capital	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 August 2009	100,109	(48,377)	51,732
Total comprehensive income	-	22,676	22,676
Transactions with owners in their capacity as owners			
Dividends paid	-	-	-
Balance at 31 July 2010	100,109	(25,701)	74,408

PARENT	Issued Capital	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 August 2008	100,109	96,103	196,212
Total Comprehensive income for the year	-	(79,480)	(79,480)
Transactions with unit holders in their capacity as unit holders			
Dividends Paid	-	(65,000)	(65,000)
Balance at 31 July 2009	100,109	(48,377)	51,732

CONSOLIDATED	Issued Capital	Retained Earnings	Minority Interest	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 August 2008	100,109	96,103	-	196,212
Total comprehensive income for the year	-	(79,480)	(1,091)	(80,571)
Transactions with owners in their capacity as owners				
Dividends Paid	-	(65,000)	-	(65,000)
Change in Ownership	-	-	1,091	(63,909)
Balance at 31 July 2009	100,109	(48,377)	-	51,732

The above statements of changes in equity should be read in conjunction with the accompanying notes.

No consolidated results are shown for the year ended 31 July 2010 as the parent did not control any entities at any time during this year.

Financial Statements

Notes to the Financial Statements for the Year ended 31 July 2010

1. CORPORATE INFORMATION

The financial report of Lion Selection Group Limited (LSG) for the year ended 31 July 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010. The directors have the power to amend and reissue the financial report.

LSG is a company limited by shares incorporated in Australia.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to LSG under ASIC Class Order 98/100. LSG is an entity to which the class order applies.

Early adoption of standards

Lion Selection Group Ltd has elected not to early adopt any standards

Financial Statement Presentation

The Company has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Company had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 31 July 2010 as follows.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and may affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that assets currently held as fair value through profit and loss will continue to be carried at fair value with all fair value gains/losses being recognised in profit and loss. The company has not yet decided when to adopt AASB 9.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Financial Statements

(c) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have an impact on the carrying amounts of certain assets and liabilities are:

(i) Income taxes

LSG is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes and deferred taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. LSG recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to LSG and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the fair value of the financial asset.

(ii) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(e) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(g) Foreign currency translation

Both the functional and presentation currency of LSG is Australian dollars (AUD).

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

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(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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(k) Investments, Other Financial Assets and Investment in Associates

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. LSG is a venture capital organisation, and designates its investments as being fair value through profit or loss. The scope of AASB 128 Investments in Associates allows this treatment for venture capital organisations even though the Company may have significant influence in an investee. After initial recognition, investments are measured at fair value, with gains or losses on fair value of investments being recognised in the income statement. The fair value of assets is re-measured at each reporting date. This recognition is more relevant to shareholders and consistent with internal investment evaluation.

For listed investments, fair value is determined based on the closing bid price at reporting date. Unlisted investments are valued based on either the market value of underlying investments or the last sale price. Where there is no recent sales price, market value for unlisted investments is determined using a discounted cash flow analysis. The price assumptions and discount rate included in this analysis are based on market data as well as other relevant data. For unlisted options over listed equities, the valuation will be calculated using the Black-Scholes method, having regard to the volatility of the underlying equity based on observable market data and the time to expiry of the relevant options.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(l) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(m) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless LSG has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Payables

Payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

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(p) Provisions

Provisions are recognised when LSG has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When LSG expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

(q) Employee leave benefits - Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Earnings per share

Basic earnings per share is calculated as net profit, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Segment reporting

The Company has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reporting segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board that makes strategic decisions. The chief decision maker reviews the operations of the company based on the portfolio of investments. All investments have similar characteristics. The company invests only in small and medium mining and exploration companies with gold and base metal activities in Australia, Africa and South East Asia. As a result there is only one reportable segment. There has been no further impact on the measurement of the company's assets and liabilities. Comparatives for 2009 have been restated.

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(u) Business combinations

AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement.

Acquisition-related costs are expensed as incurred.

If the Consolidated Entity recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Consolidated Entity net profit after tax.

Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

NOTE 3 FINANCIAL RISK MANAGEMENT

LSG's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. LSG's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas.

LSG holds the following financial instruments:

	2010 \$'000	2009 \$'000
Financial assets		
Cash	207	1,625
Bank bills and deposits receivable – one month or less	43,120	8,000
Investment in securities	30,603	42,135
Financial liabilities		
Trade and other creditors	185	683
Amounts payable to related entity	-	380

(a) Market risk

(i) Currency Risk

LSG operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. LSG's USD denominated bank account of US\$22.5M and obligations to African Lion 3 and Asian Lion of US\$15.8M and US\$8.2M respectively (see note 16(b)) could also expose LSG to foreign exchange risk, as movements in the United States dollar will impact the amount of Australian dollars that LSG has available and the amount it is obligated to invest in African Lion 3 and Asian Lion. Such movements do not have a material impact on LSG's Income Statement or Balance Sheet as at 31 July 2010

(ii) Price risk

LSG is exposed to equity securities price risk. This arises from investments held by LSG and classified on the balance sheet as at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The majority of the Company's equity investments are publicly traded. LSG does not hedge its equities securities price risk.

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. LSG's investments have a low correlation to market indices and therefore no sensitivity analysis has been performed.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. LSG also monitors the market price risk arising from all financial instruments.

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(iii) Interest Rate Risk Exposures

LSG is exposed to interest rate risk through its primary financial assets and liabilities. The interest rate risk exposures together with the effective interest rate for each class of financial assets and financial liabilities at balance date are summarised below. All assets and liabilities are current, maturing within one year, with the exception of investments in securities, the value of which will be realised at the discretion of the Company. No decision has been made regarding the timing of this realisation.

PARENT	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000	Average Interest Rate	
					Floating %	Fixed %
2009						
Financial Assets:						
Cash	1,625	-	-	1,625	1.00	
Bank bills and deposits receivable – one month or less	-	8,000	-	8,000	-	2.90
Other receivables			902	902	-	-
Investment in securities	-	-	42,135	42,135	-	-
Financial Liabilities:						
Trade and other creditors	-	-	683	683		
Intercompany liabilities	380	-	-	380	3.39	
PARENT						
2010						
Financial Assets:						
Cash – AUD	207	-	-	207	1.11	-
Cash – USD	24,820	-	-	24,820	0.14	-
Bank bills and deposits receivable – one month or less	18,300	-	-	18,300	3.85	-
Other receivables	-	-	69	72	-	-
Investment in securities	-	-	30,603	30,603	-	-
Financial Liabilities:						
Trade and other creditors	-	-	185	185		
Intercompany liabilities	-	-	-	-	-	-

(b) Credit risk

LSG is exposed to credit risk. Credit risk arises from cash and cash equivalents and deposits with banks as well as credit exposures to counter parties, including outstanding receivables and committed transactions. LSG has a policy of maintaining its cash and cash equivalents with the “top 4” Australian Banks. For other counter parties, if there is no independent rating, management assesses the credit quality of the party, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk approximates the carrying values as disclosed above.

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(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. LSG manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. LSG uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of the option contracts are determined using a Black Scholes valuation at the reporting date. Where there is no recent sales price, market value for unlisted investments is determined using a discounted cash flow analysis.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

As of 1 August 2009, LSG has adopted the amendment to *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted priced (unadjusted) in active markets for identical assets of liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following tables present the Company's assets and liabilities measured and recognised at fair value at 31 July 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

At 31 July 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss</i>				
Investments	15,574	4,486	10,543	30,603
Total Assets	15,574	4,486	10,543	30,603

The following table presents the changes in level 3 instruments for the year ended 31 July 2010.

	Investments \$'000
Opening Balance (1 August 2009)	8,715
Transfers into Level 3	-
Other increases	-
Gains recognised in other comprehensive income	-
Gains recognised in profit or loss	1,829
Closing balance	10,543

Financial Statements

	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
NOTE 4 INCOME AND EXPENSES			
Gain/(loss) attributable to movement in fair value of investments			
Mark to Market adjustment for period – investments realised during period	18,044	23,705	22,556
Mark to Market adjustment for period – investments held at end of period	(1,745)	(7,989)	(7,989)
Gain/(loss) attributable to movement in fair value of investments as recorded in the income statement	16,299	15,716	14,567
Results of Investments Realised During Period			
Proceeds from sale of shares	31,789	136,863	136,863
Historical Cost of investments sales	(12,445)	(59,448)	(60,598)
Gross profit on investments realised	19,344	77,415	76,265
Represented by:			
Mark to Market recognised in prior periods (including on acquisition)	1,300	53,709	53,709
Mark to Market recognised in current period	18,044	23,706	22,556
	19,344	77,415	76,265
Debt forgiveness	5,949	(90,911)	(90,911)
Prior to the demerger of LSG from the LST group, any existing intercompany balances between LSG and the other entities within the LST Group were forgiven, giving rise to a debt forgiveness expense/gain.			
Other income			
Interest income	661	3,396	3,360
Sundry income	411	218	218
Other income	1,072	3,614	3,578
The profit/loss is after charging the following other expenses			
Investor Relations	272	368	359
D & O Insurance	240	87	87
Legal Expenses	16	169	64
Corporate transaction costs	1,310	984	984
Mine exploration and development – Edna May	-	1,817	-
Other corporate overheads	1,558	614	614
Total other expenses	3,396	4,039	2,108

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	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
NOTE 5 INCOME TAX EXPENSE			
Income Statement			
Current Income Tax			
Current Income Tax Charge	(1,111)	2,661	2,661
Adjustments in respect of current income tax of previous years	-	-	-
Deferred Income Tax			
Relating to origination and reversal of temporary differences	(138)	(213)	(213)
Income Tax Expense/ (benefit) reported in the Income Statement	(1,249)	2,448	2,448
Reconciliation of Income tax expense			
Profit/(loss) before income tax	21,427	(78,123)	(77,032)
Prima facie tax thereon at 30%	6,428	(23,437)	(23,110)
Tax effect of permanent and other differences			
Non-deductible expenses	272	683	-
Non assessable income	(1,091)	(97)	(97)
Non deductible/assessable debt forgiveness expense/gain	(1,784)	27,273	27,273
Non assessable/ deductible movement in fair value	(4,809)	(2,059)	(1,703)
Other previously unrecognised deferred tax assets	(265)	-	-
Amount underprovided/(overprovided) in prior years	-	85	85
Total income tax (benefit)/expense	(1,249)	2,448	2,448
Current tax payable/(refund due)	-	-	-
Deferred Income Tax			
Movements - Deferred tax liabilities			
Opening deferred tax liabilities	1	160	160
Charged/ (credited) to the income statement	143	(159)	(159)
Closing Deferred tax liabilities	144	1	1
Deferred tax liability – expected to be recovered within 12 months	144	1	1
Deferred tax liability – expected to be recovered beyond 12 months	-	-	-
Deferred tax liability	144	1	1
<i>Deferred tax liabilities at 31 July relates to the following:</i>			
Unrealised foreign exchange gains	123	-	-
Accrued Interest/ Other temporary differences	21	1	1
	144	1	1

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NOTE 5	INCOME TAX EXPENSE (continued)	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
Movements - Deferred tax assets				
	Opening deferred tax assets	150	96	96
	(Charged)/ credited to the income statement	281	54	54
	Recognition of current year losses	317	-	-
	Closing deferred tax assets	748	150	150
	Deferred tax asset – expected to be recovered within 12 months	748	115	115
	Deferred tax asset – expected to be recovered beyond 12 months	-	35	35
	Deferred tax asset	748	150	150
<i>Deferred tax assets at 31 July relates to the following:</i>				
	Tax losses available	583	-	-
	Accrued Expenses/Other temporary differences	165	150	150
	Deferred tax assets	748	150	150
NOTE 6	RECEIVABLES (CURRENT)	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
	Accrued interest	72	4	4
	Other receivables	-	898	898
	Total current receivables, net	72	902	902
NOTE 7	FINANCIAL ASSETS	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
	Listed investments (at fair value)	15,607	29,293	29,293
	Unlisted investments (at fair value)	14,996	12,842	12,842
	Total non-current financial assets	30,603	42,135	42,135
<i>Listed shares are readily saleable with no fixed terms</i>				
NOTE 8	PAYABLES (CURRENT)	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
	Sundry creditors and accruals	185	549	549
	Amounts payable to director related entities	-	134	134
	Total current payables	185	683	683
NOTE 9	PROVISIONS (CURRENT)	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
	Employee benefits	13	16	16
	Total current provisions	13	16	16

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NOTE 10	RETAINED PROFITS & RESERVES	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
Movements in retained earnings were as follows:				
	Retained profits/(losses) at the beginning of the financial year	(48,377)	96,103	96,103
	Net profit for period	22,676	(79,480)	(79,480)
	Dividends paid/payable	-	(65,000)	(65,000)
	Retained profits/(losses) of the end of the financial year	(25,701)	(48,377)	(48,377)

NOTE 11	CONTRIBUTED EQUITY	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
	Issued and paid up capital (fully paid)			
	Opening Balance	100,109	100,109	100,109
	Share Consolidation	-	-	-
	Issued and paid up capital (fully paid)	100,109	100,109	100,109
	Share Capital	Parent 2010 Shares	Consolidated 2009 Shares	Parent 2009 Shares
	Issued and paid up capital (fully paid)			
	Opening Balance	100,108,905	100,108,905	100,108,905
	Share Consolidation	(12,079,552)	-	-
	Issued and paid up capital (fully paid)	88,029,353	100,108,905	100,108,905

Capital Risk Management

LSG's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders. In order to maintain or adjust the capital structure, LSG may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTE 12	DIVIDENDS PAID	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
(a)	Dividends declared and paid during the year			
	2009: unfranked dividend of \$0.649/ share	-	65,000	65,000
	Total dividends paid or provided	-	65,000	65,000
(b)	Franking credit balance			
	The amount of franking credits available for the subsequent financial year are:	-	-	-
	▪ franking credit balance as at the end of the financial year	-	-	-
	▪ franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-	-
		-	-	-

Financial Statements

NOTE 13 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the Balance Sheet and Statement of Cash Flows, cash includes cash on hand and in banks, term deposits, cash managed by third parties and other bank securities which can be liquidated at short notice, net of outstanding bank overdrafts if applicable.

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related item in the Balance Sheet as follows:

	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
Cash on hand	207	1,625	1,625
Bank bills and deposits	43,120	8,000	8,000
Closing cash balance	43,327	9,625	9,625

(b) Reconciliation of Net Profit/(Loss) after Income Tax to Net Cash Provided by Operating Activities

Net profit/(loss) after income tax	22,676	(80,571)	(79,480)
Adjustments for non cash income and expense items			
Non cash net expenses of former subsidiary	-	1,135	-
Movement in fair value of investments (increase)/decrease in assets	(16,299)	(15,716)	(14,567)
Debt forgiveness income	(5,949)	90,911	90,911
Other non-cash income received	(380)	(123)	(123)
Expenses paid through intercompany loan	(380)	2,148	2,148
(Increase)/decrease in assets:			
▪ Deferred income tax asset	-	(54)	(54)
▪ Other receivables	(68)	568	568
(Decrease)/increase in liabilities:			
▪ Deferred income tax liability	-	(159)	(159)
▪ Payables	(498)	423	423
▪ Employee entitlements	(3)	(6)	(6)
Net cash flow from operating activities	(901)	(1,444)	(339)

(c) Non-cash investing and financing activities

During 2009 assets were transferred between companies within the broader accounting group of companies, with LST being the ultimate parent entity. Such transfers were generally conducted at market value, with an intra-group loan recognised between the transacting parties. In addition, prior to the demerger of LSG from the LST group, any existing intercompany balances between LSG and the other entities within the LST Group were forgiven, giving rise to a debt forgiveness expense. Non-cash transfers by way of intra-group are as follows:

	Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
Acquisition of financial assets from related party	-	23,573	23,573
Sale of financial assets to related party	-	59,675	59,675
Debt forgiveness	5,949	(90,911)	(90,911)

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NOTE 14 CONTINGENT LIABILITIES

LSG does not have any contingent liabilities as at 31 July 2010.

NOTE 15 EARNINGS PER SHARE

		Parent 2010 \$'000	Consolidated 2009 \$'000	Parent 2009 \$'000
(a)	Earnings used in calculating earnings per share – basic and diluted	22,676	(79,480)	(79,480)
		2010 Parent Shares	2009 Consolidated Shares	2009 Parent Shares
(b)	Weighted average number of shares			
	Weighted average number of ordinary shares for basic earnings per share	88,029,353	88,029,353	88,029,353
	Weighted average number of ordinary shares for diluted earnings per share	88,029,353	88,029,353	88,029,353

The calculation of weighted average number for the diluted earnings per share does not include any potential ordinary shares with respect to dilutive options as there are no options on issue

NOTE 16 COMMITMENTS

(a) Superannuation Commitments

LSG does not have its own superannuation plan. The only commitment to superannuation is with respect to statutory commitments. At balance date, the Company was contributing to various approved superannuation funds at the choice of employees at a minimum rate of 9% of salaries paid. Employees are able to make additional contributions to their chosen superannuation funds by way of salary sacrifice up to the age based deductible limits for taxation purposes.

(b) Investment Commitment

AFL3 and Asian Lion

LSG entered into an agreement in June 2008 to commit US\$18.75 million in African Lion 3 Limited (AFL3), of which US\$15.8M remains undrawn at 31 July 2010. AFL3 is a follow-on investment fund from the companies existing investment in African Lion Limited (AFL) and African Lion 2 Limited (AFL2).

LSG also previously entered into an agreement to commit US\$14.6 million in Asian Lion Limited of which US\$8.2M remains undrawn at 31 July 2010.

Financial Statements

NOTE 17	REMUNERATION OF AUDITORS	PARENT	CONSOLIDATED	PARENT
		2010	2009	2009
		\$	\$	\$
(a)	Audit Services(including payments by LSG on behalf of LST)			
	Audit and review of financial reports	75,000	104,891	104,891
	Total remuneration for audit services	75,000	104,891	104,891
(b)	Non-audit services (including payments by LSG on behalf of LST)			
	Agreed upon procedures – Catalpa acquisition	-	31,595	31,595
	Tax compliance services	-	-	-
	Tax advice – Off-market buyback	-	133,650	133,650
	Tax advice – Restructuring	-	270,059	270,059
	Tax advice – Corporate Matters	248,305	6,050	6,050
	Total remuneration non-audit services	248,305	441,354	441,354

NOTE 18	RELATED PARTY DISCLOSURES
(a)	<p>Directors & Key Management Personnel</p> <p>The directors in office during the financial year and up until the date of this report are as follows.</p> <p>Ewen Tyler (Non-Executive Chairman) Craig Smyth (Managing Director) Howard Walker (Executive Director)</p>
(b)	<p>Lion Manager Pty Ltd Contract</p> <p>Until 20 December 2009 LSG’s ultimate parent entity LST had a Management Agreement with Lion Manager, under which Lion Manager provided LST with management and investment services, including with respect to LSG. Under the Management Agreement, LST paid the Manager a monthly management fee of \$230,000 plus GST (\$2.76 million per annum plus GST) and a further amount equal to 0.083% plus GST (1% per annum plus GST). LSG had paid a proportion of these management fees on behalf of LST.</p>

Financial Statements

NOTE 18	RELATED PARTY DISCLOSURES (CONTINUED)	Parent	Consolidated	Parent
(c)	Director Related Entity and Other Related Party Transactions	2010	2009	2009
		\$'000	\$'000	\$'000
	Debt forgiveness	5,949	(90,911)	(90,911)

Prior to the demerger of LSG from the LST group, any existing intercompany balances between LSG and the other entities within the LST Group were forgiven, giving rise to a debt forgiveness expense.

(d)	Key Management Personnel Remuneration (including payments on behalf of LST)	2010	2009
		\$	\$
	Short term employee benefits	466,601	241,007
	D&O Insurance	47,328	58,244
	Post-employment benefits	83,178	49,644
		597,107	348,895

NOTE 19	MATERIAL INVESTMENTS	Carrying Amount		Consolidated Entity Ownership	
	The Company had the following material investments at year end:	2010	2009	2010	2009
		\$'000	\$'000	%	%
	African Lion Ltd	225	1,914	30	30
	African Lion 2 Ltd	2,950	5,343	25	25
	African Lion 3 Ltd	3,393	968	24	25
	Asian Lion Ltd	4,227	2,121	43	32
	Copperbelt Minerals NL	4,200	2,404	2	2
	Exco Resources NL	7,151	6,092	8	9
	Havilah Resources NL	5,346	8,422	19	19
	Indophil Resources NL	-	13,292	-	7

Each of the above companies is involved in the mining and exploration industry.

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NOTE 20 SEGMENT INFORMATION

Management has determined that the Company has only one operating segment based on reporting reviewed by the board to make strategic decisions. The Company provides patient equity capital to carefully selected small and medium mining enterprises. LSG invests only in mining and exploration companies and projects with gold and base metal activities in Australia, Africa and South East Asia. Information with respect to Geographical Segments is set out below.

2010	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Consolidated \$'000
Segment Revenue		3,634		7,021	10,655
Mark to Market adjustment	(2,230)	(1,233)	19,762		16,299
Segment Income	(2,230)	2,401	19,762	7,021	26,954
Segment Expense	-	-	-	(5,527)	(5,527)
Segment Result Before Tax	(2,230)	2,401	19,762	1,494	21,427
Segment Assets	13,604	10,769	6,231	44,146	74,750
Segment Liabilities	-	-	-	342	342
Other Segment Information					
Assets Acquired	126	1,348	2,484	-	3,958
Cash Flow Information					
Net Cash inflow from operating activities	-	3,634	-	(4,535)	(901)
Net Cash inflow from investing activities	116	(1,348)	29,063	-	27,831
Net Cash inflow from financing activities	-	-	-	6,772	6,772

2009 (Parent)	Australia \$'000	Africa \$'000	Asia \$'000	Unallocated \$'000	Parent \$'000
Segment Revenue	218	-	-	3,396	3,614
Mark to Market adjustment	13,513	2,012	191	-	15,716
Segment Income	13,731	2,012	191	3,396	19,330
Segment Expense	-	-	-	(97,453)	(97,453)
Segment Result Before Tax	13,731	2,012	191	(94,057)	(78,123)
Segment Assets	15,689	10,654	15,792	10,677	52,812
Segment Liabilities	-	-	-	1,080	1,080
Other Segment Information					
Assets Acquired	19,248	105	-	-	19,353
Cash Flow Information					
Net Cash inflow from operating activities	-	-	-	(339)	(339)
Net Cash inflow from investing activities	57,864	(24)	164	-	58,004
Net Cash inflow from financing activities	-	-	-	(109,296)	(109,296)

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NOTE 21 EVENTS OCCURRING AFTER THE REPORTING PERIOD

One of LSG's investees, Copperbelt Minerals entered into a conditional sale and purchase agreement with Golden Champion (owned 60% by Zijin Mining Group (Zijin) and 40% by the China Africa Development Fund) in relation to its Democratic Republic of Congo (DRC) assets on 7 May 2010. The value of the conditional offer was approximately US\$280M, or an equivalent of US\$26.55 per Copperbelt share. The transaction was subject to the receipt of the consent of the applicable PRC government and regulatory authorities and DRC consents. Subsequent to year end it was announced that this corporate transaction would not proceed. The carrying value for Copperbelt in these accounts is US\$19/share, reflecting that this corporate transaction had lapsed. On the 22nd of September 2010, LSG received further correspondence from Copperbelt Minerals that it had entered a conditional sale and purchase agreement with CADF for the sale of substantially all of its assets to CADF. The value of the conditional offer is approximately US\$282m, or an equivalent of approximately US\$24 per Copperbelt share.

In August 2010, LSG offered to purchase an additional stake in Asian Lion from another shareholder for US\$1.2m (a discount of \$0.5m on the underlying asset value), along with an incremental commitment of US\$3.8m. Following completion of this purchase, LSG's interest in Asian Lion is 63% with outstanding commitments of US\$12.1m.

During August 2010, LSG sold its holding in Exco for \$11.0m at an average price of \$0.42 per share.

Other than these items, there has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future periods.

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Independent auditor's report to the members of Lion Selection Group Limited

Report on the financial report

We have audited the accompanying financial report of Lion Selection Group Limited (the company), which comprises the statement of financial position as at 31 July 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Independent auditor's report to the members of
Lion Selection Group Limited (continued)**

Auditor's opinion

In our opinion:

- (a) the financial report of Lion Selection Group limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 31 July 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 21 of the directors' report for the year ended 31 July 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

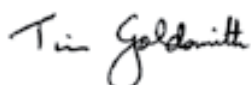
In our opinion, the remuneration report of Lion Selection Group Limited for the year ended 31 July 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Lion Selection Group Limited (the company) for the year ended 31 July 2010 included on Lion Selection Group Limited web site. The company's directors are responsible for the integrity of the Lion Selection Group Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Tim Goldsmith
Partner

Melbourne
30 September 2010

Shareholder Information

Top 20 holders of Ordinary Fully Paid Shares as at 30 September 2010

RANK	NAME	NO. OF SHARES	% OF UNITS
1	Citicorp Nominees Pty Limited	14,217,060	16.15
2	Cogent Nominees Pty Limited	9,607,959	10.91
3	Mr Mark Gareth Creasy	4,448,976	5.05
4	WWW Management Pty Ltd < Widdup Family A/C >	2,539,116	2.88
5	National Nominees Limited	2,303,919	2.62
6	Selection Holdings Pty Ltd	2,178,824	2.48
7	Hsbc Custody Nominees (Australia) Limited	2,010,031	2.28
8	Mikejen Pty Ltd < Brook Family A/C >	1,659,892	1.89
9	Gemfield Lake Pty Ltd < Melloy Family A/C >	1,419,709	1.61
10	Inconsultare Pty Ltd < Morrison Family S/F A/C >	1,400,000	1.59
11	Mr Robin Anthony Widdup + Mrs Janet Widdup < Widdup Super Fund A/C >	1,304,793	1.48
12	Pranjip Road Pty Ltd < Maloney Family A/C >	1,181,642	1.34
13	JP Morgan Nominees Australia Limited < Cash Income A/C >	853,235	0.97
14	Wal Assets Pty Ltd	830,693	0.94
15	Mrs Kathryn Margaret Evans	726,237	0.82
16	Miviva Pty Ltd	700,000	0.80
17	Mr Dominic Paul McCormick	695,413	0.79
18	Ms Yukari Burgess	687,804	0.78
19	Mr Alexandre Peter Swanson + Ms Lynley Marie Swanson < Alexandre Super Fund A/C >	600,006	0.68
20	Anz Nominees Limited < Cash Income A/C >	535,833	0.61
Total Top 20 holders of ORDINARY FULLY PAID SHARES		49,901,142	56.69
Total Remaining Holders Balance		38,128,211	43.31

Distribution of Shareholdings as at 30 September 2010

SIZE OF HOLDING (ORDINARY FULLY PAID SHARES)	NO. OF SHAREHOLDERS
1 – 1,000	289
1,001 – 5,000	1,475
5,001 – 10,000	623
10,001 – 100,000	732
100,000 and over	75
Total Shareholders	3,194
Number of ordinary shareholders with less than a marketable parcel	212

Voting Rights

All ordinary shares issued by Lion Selection Group Limited carry one vote per share without restriction.

Substantial Shareholders as at 30 September 2010

The following information is extracted from notices received by the company.

NAME	NO. OF ORDINARY SHARES
Carrousel Capital Limited	15.76%
Select Asset Management	11.79%
Lion Manager Group	10.20%
Mark Creasy	5.06%

Lion Selection Group Limited Registry

You can gain access to your security holding information in a number of ways. The details are managed via our registrar, Computershare Investor Services, and can be accessed as outlined below.

Computershare Investor Services Pty Limited

Enquiries within Australia	1300 850 505
Enquiries outside Australia	+61 3 9415 4000
Investor Enquiries Facsimile	+61 3 9473 2500
Investor Enquiries Email	web.queries@computershare.com.au
Website:	www.computershare.com

INVESTORPHONE

InvestorPhone provides telephone access 24 hours a day 7 days a week.

- STEP 1** Call **1300 850 505** (within Australia) or **61 3 9415 4000** (outside Australia)
- STEP 2** Say 'Lion Selection Group Limited'
- STEP 3** Follow the prompts to gain secure, immediate access to your holding details, registration details and payment information.

INTERNET ACCOUNT ACCESS VIA INVESTOR CENTRE

Securityholders can access their details online via Investor Centre:

- STEP 1** Go to **www.computershare.com/au/investors**
- STEP 2** Select 'Access a single holding' under the non Member Access heading
- STEP 3** Enter **LGP** or **Lion Selection Group Limited**
- STEP 4** Enter Securityholder Reference Number (SRN) or Holder Identification Number (HIN), postcode or country if outside Australia and submit.

Alternatively, manage your portfolio by registering as a member of Investor Centre:

- STEP 1** Go to **www.computershare.com/au/investors**
- STEP 2** Enter **User ID** and **Password/PIN** and login or click on the 'Register now' link to become a member
- STEP 3** Follow the prompts to register. For security purposes, Computershare will generate a PIN and mail it to your registered address.

Corporate Directory

Registered and Principal Office

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Website: www.lionselection.com.au

Directors

- Ewen W J Tyler AM,
Non-Executive Chairman
- Howard Walker,
Executive Director
- Craig Smyth,
Managing Director

Company Secretary

Jane Rose

Auditors

PricewaterhouseCoopers

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067
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